

Letters & Comment

Factbook Addendum:

It has come to our attention that the 1984 NPN Factbook entry under "Associations" for the American Petroleum Institute contained API's former address. The current address and a complete officers and marketing personnel listing follows:

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Letters for publication should be sent to The Editor, National Petroleum News, 950 Lee Street, Des Plaines, IL 60016. Please include a daytime phone number. Letters are subject to editing for reasons of space and clarity.

Will today's old tanks be ready for tomorrow's new fuels?

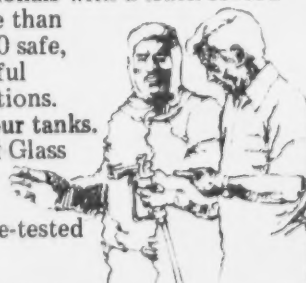
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• TRENDS

ROI from Plant Upgrades Socked by Product Margins

It seemed like the smart thing to do at the time, but the industry's multi-billion-dollar binge in recent years to retrofit and upgrade its refineries appears to have backfired . . . at least for the time being.

The sorry state of the gasoline and diesel fuel markets this past summer, say some analysts, is attributable in part to the increased yields of these products that some refiners can now achieve as a result of their recent modernization projects.

The greater yields, combined with stepped up refinery runs in May and June, more than offset a 1.9% increase in motor fuel demand during the first half of this year, most sources agree. In fact, says energy consultant Marion B. Stewart of New York, the combination had left U.S. markets "awash with gasoline" by mid-June.

Although Stewart found indications in late June that some refiners were moving to lower gasoline yield patterns, this movement was apparently too little and too late. By the end of July, marketers were reporting cargo lot gasoline and diesel prices in the low 70¢ gal. range.

The refiners didn't anticipate such a collapse in product prices when they began many of their upgrading projects at the beginning of the 1980s. Neither did many expect demand for transportation fuels to take the deep nosedive that it did, or for heavy crude oil prices to almost converge with the cost of top-grade light crudes.

Such developments have come to pass, though, proving once again how quickly conditions can change in the oil business.

Back in 1982, when the refiners were rushing to either launch or complete their upgrading projects, it appeared that those who could get them on-stream first would enjoy a huge advantage in raw material costs. Heavy crudes at the time were running \$3 to \$4 bbl. lower than top-grade sweet crudes, and the heavy oils were in plentiful supply.

Some refiner-marketers at the time pointed out that a refiner who could handle the dirtiest of heavy crudes could

have as much as a 7¢ to 9¢ gal. advantage in raw material costs over those who could only process sweet, light crudes.

There was concern, as major after major launched upgrading projects, that those who couldn't afford to join the modernization race would soon find themselves in a totally uncompetitive situation.

This, too, has come to pass to some degree. Many independents have long since tossed in the towel, while others are barely hanging on, including some who have made heavy financial commitments to upgrade their plants.

But in addition to the independent refiners getting clobbered, most majors also aren't doing as well as their earlier plans had projected.

In addition to increased demand driving up the prices for heavy crudes, few of the large oil companies in the late 1970s could see such a deep dive coming in the demand for transportation fuels. But today, this demand is roughly 12% below what it was in 1978, and the dogfight for what remains has stripped away profits for both refiners and marketers.

It seemed when many of the upgrading projects were being planned, that they should be designed to both provide for the processing of heavy crudes and to maximize transportation fuel yields.

There is still nothing wrong with such thinking, say the experts. Over the long haul, heavy crudes should remain more plentiful than light crudes and be at least slightly less expensive. And, the motor fuel market, despite the doldrums that it has been in for the past four or five years, is still the industry's big market.

But for the present, some companies that have invested \$1-billion or more in refinery upgrading projects admit that these projects haven't been contributing at the level anticipated when they were started. But as Richard R. Dickinson, a senior vice-president of Texaco Inc.'s U.S. operating unit told a newspaper recently, conditions change.

"We generate these units to last a minimum of 25 years," said Dickinson of a \$1-billion upgrading of Texaco's Convent, La., plant. "And, it takes three or four years to build them. Often when you get through building them the world looks a little different than when you started. It will look different down the road, too."

—Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
JUNE				
U.S. City Avg.	\$1.214	\$1.147	\$1.229	\$1.377
Regions:				
Northeast	1.213	1.144	1.213	1.369
North Central	1.230	1.178	1.254	1.424
South	1.186	1.114	1.197	1.345
West	1.234	1.152	1.258	1.423

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	7/27/84	7/29/83
Gasoline (total)	237,515	225,807
Gasoline (unleaded)*	107,554	89,950
Jet Kerosine	36,652	33,860
Distillates	125,308	128,464
Residual	51,851	48,581

*Included in gasoline total.

Source: American Petroleum Institute.



By Donna Lawrence

MIDWEST



Getty Marketers Ready to Go Texaco, But Yearn for Long-Term Commitment

In the wake of the federal government's final approval of the Getty/Texaco merger, Getty's midwestern jobbers so far are optimistic about Texaco's decision to operate, rather than sell, Getty's 80,500 b/d El Dorado, Kan., refinery.

In a region rattled by an exodus of many major brand suppliers over the past few years, jobbers do not mind lowering the Getty flag if they can raise the Texaco star.

Even Getty truckstop operators pleased with Getty's strong truckstop program say they gladly would rebrand Texaco, noting the merger could create the largest, most effective truckstop program in the country.

"There were companies that came in and looked at this central region who I had never even heard of, much less anyone who had the resources to put behind the refinery," says one marketing source. "Texaco has the crude supply that others would not have."

"Everyone we have talked to is very pleased that this is going to take place," says Missouri truckstop and service station operator Ed Day, B & D Oil Co., who was active in lobbying against the merger before the federal government decided to let Texaco keep the refinery.

This optimism, however, is guarded.

Marketers recognize that about five years ago, Texaco pulled out of most of the Midwest. And, although Texaco announced it would operate the refinery for three years, the company could sell the facility after that time. A Texaco spokesman also pointed out in late July that the three-year commitment only covers the refinery, not the 15-state marketing assets in the Midwest. Texaco could choose to sell properties it does not feel are profitable enough.

Still, most marketers say they have been conditioned in recent years by Mobil, Gulf and other major supplier pullouts to round up other sources of product.

"I am sure I could live with Texaco, but if they aren't here, I could buy product from Ashland, Total and Pester," says Bob James, a 6-million-gal.-a-year Iowa jobber.

Most marketers feel that, although Texaco will have to prove itself, the company's decision to keep the refinery is a strong sign of commitment. They point out that the sophisticated, modern facility could prove to be profitable for Texaco, unless economic conditions worsen over the next three years.

"Texaco did not have any refinery in

the area in the Seventies that was comparable to El Dorado," says Alan Thiemann, general counsel for the National Assn. of Truckstop Operators (NATSO). "Our impression is that Texaco's commitment to operate the refinery speaks for the marketing community in those states (served by the refinery)."

Market sources say if Texaco operates Getty as a wholly owned subsidiary, it is likely to be sold later. And, although some marketers would prefer to cling to Getty's strong brand identity in the Midwest, most marketers feel rebranding is inevitable.

"Under the Federal Trade Commission's signed consent decree, Getty has to sell the Getty name in the Northeast with its marketing facilities," says another industry source. "I think anyone with good sense would not want to market under a brand that's owned by someone else in the Northeast. You could build an image, and they could tarnish it."

In opting for the Midwest marketing-refining package and electing to sell the interest in the Wyco products pipeline, Texaco takes on 237 Getty truckstops (both company- and jobber-operated). This gives Texaco about 550 truckstops, at least 100 more than Union, which is recognized as the nation's leading truckstop marketer. Both Getty and Texaco truckstop operators welcome the merger.

Truckstop operators value the Getty brand for its strong credit card and cash card programs. Although the Getty credit card carries a 3% processing fee for marketers, Getty picks up the cost of accepting VISA and MasterCard. The program also offered electronic fund transfer, purchase validation, driver tracking (from one point of purchase to the next) and microfilming of invoices for use in tax audits [NPN—July '83, p30]. Getty also built a strong truckstop image with a multi-media advertising campaign estimated at about a half-million dollars a year.

"We expect great things to develop," says B & D Oil's Day.

Ohio's '83 fuel demand halts five-year slide

Ohio's motor fuel demand grew last year by 1.9% or 98-million gal., the first increase in five years.

This is welcome news, considering that the market lost more than 400-million gal. of volume during those five years, according to an Ohio Petroleum Marketers Assn. (OPMA) report based on state tax records.

Jobbers accounted for about 21% of the market, while majors' direct-supply units seized a 51.5% market share. About 70% of all the motor fuel sold in Ohio is sold by the top 20 marketers, which includes 12 major oil companies and eight independents.



A nagging question remains: Will Texaco really retain Getty's Midwest marketing assets?

Two large independents experienced the highest percentage sales hikes—Ports, a 30.5% increase, and Campbell, a 29.4% increase. Marathon, Ohio's second largest motor fuel marketer, enjoyed a 12% gallonage boost last year, while the No. 1 marketer, Sohio, experienced a slight decline of 1.3%.

Ohio sources say competitive prices helped draw the volume. Following are last year's market share data.

Ohio's Market Share Top 20

1. SOHIO	23.5%
2. Marathon	14.0
3. Shell	5.4
4. Ashland	4.5
5. Clark	4.0
6. Sun	3.8
7. Certified	2.0
8. Gulf	1.8
9. Ports	1.8
10. Lyden	1.5
11. Union	1.5
12. Omega	1.3
13. Mobil	1.0
14. Englefield	1.0
15. Campbell	0.8
16. Hi-Lo	0.7
17. Rich Terminal	0.7
18. Kayo	0.7
19. Holland	0.7
20. King Kwik	0.6

Most Hudson outlets on the block or sold

About two-thirds of Hudson Oil's more than 300 retail gasoline outlets in its 35-state marketing area are on the block or have been sold, reports say. And, the aggressive indie refiner/marketer could decide to sell still more of its stations as part of a reorganization effort under Chapter 11 federal bankruptcy proceedings.

In early spring, Hudson announced it would pull out of five states, selling about 50 to 60 stations in California, Pennsylvania, New York, Indiana and Nevada [NPN—May '84, p15]. Hudson mothballed its 19,000-b/d refinery in 1982 and closed more than 80 stations in late 1983. The company filed for reorganization in January [NPN—Feb. '84, p22].

A federal judge reportedly has approved the sale of 316 closed retail outlets in June, with proceeds to be used to pay more than \$9-million in loans made after the bankruptcy filing.

Shortly after the filing, Hudson's attorney said the sale of about 80 stations would give Hudson "a nice start" toward recovery. Neither Hudson nor its attorney, however, have been willing to comment on the case recently.

Early this year, Hudson's attorney said the company was about \$27.8-million in debt and claimed about \$32.8-million in assets. Its refining subsidiary reported

about \$19.7-million in debt with \$38-million in assets.

Below-cost selling bill defeated in Wisconsin

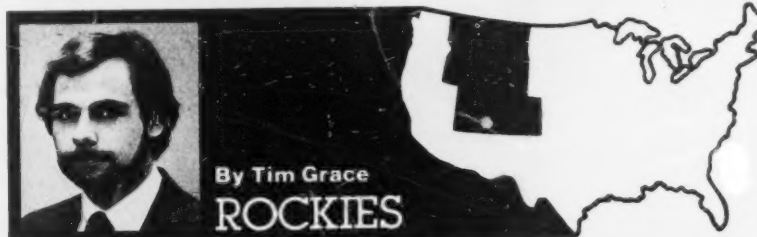
A bill that would have given Wisconsin's below-cost selling enforcement program a boost was defeated in the closing hours of the 1984 state legislative session.

The proposal would have raised the state's petroleum inspection fee by 0.25¢/

50 gal. and would have provided funds for three inspectors to investigate and enforce violations of the state's minimum markup law. [NPN—May, '84, p23].

"It was a textbook example of the legislative process at its worst," says Jan Thieme, a lobbyist for the Oil Jobbers of Wisconsin, explaining the bill was killed on procedural grounds.

OJW plans to find legislative sponsors to reintroduce the bill when the Legislature returns in January.



Colorado Marketers to Meet, Discuss Below-Cost Selling, Ethanol Exemption

Below-cost selling and "horrible" disparities in the price of leaded and unleaded gasolines seem to be the chief concerns of jobbers attending the annual convention of the Colorado Petroleum Marketers Assn. (CPMA) this month.

Tough competition has marketers searching for alternative profit streams such as ethanol blending and fast food. Both of those topics will be addressed at business seminars at the Broadmoor Hotel in Colorado Springs.

It is present conditions, however, that jobbers worry about the most.

"Below-cost selling kills the little guy and is unfair to the motorist who has to use unleaded gasoline," says one rural jobber who adds that majors' and large independents' loss-leader tactics mean up to 11¢ gal. differences in price between regular and unleaded. "We shouldn't have to have legislation, but we'll have to," he says.

Rocky Mountain observers say that the situation is worst in metropolitan areas such as Denver, Colorado Springs and Pueblo, where they say prices can differ by as much as 15¢ gal.

"This is not only a problem for motorists but it gives the industry a black eye and fosters misfueling," says Andrew K. Smith, CPMA president.

The Colorado association has attempted unsuccessfully to lobby for legislation against below-cost selling, says Smith [NPN—Nov. '83, p22].

Smith, who began his career as a regional manager for Mobil in the early 1960s, believes the association will wait until next year before trying to re-draft legislation.

Street prices in late July in some areas



CPMA's Andy Smith wants to see more ethanol available and its tax break continue.

were as low as 98¢ gal. for leaded regular, although marketers outside Colorado's Front Range reported margins of as high as 7¢ to 8¢ gal.

"We're charging about \$1.13 for regular," says Alamosa jobber Charles Houser, who operates two convenience store/gasoline outlets there. "I wouldn't call conditions excellent, but it certainly isn't a Denver here."

The largest concern among the "well-off" rural jobbers is jobber/supplier relationships: "We all ask the companies, 'Do you still love us?'"

One bright spot in the Colorado outlook, according to one marketer, is persistent growth opportunity. "One of the majors just bought 22,000 square feet at \$24 a square foot," notes Truman Arnold,

billion

Mitchell says that when the alleged overcharges in other cases were passed down from refiner to customer, the jobber absorbed about 34% of the cost. With full reimbursement, given to some 10,000 jobbers, each jobber could receive as much as \$34,000 apiece.

Despite reports that some Mobil marketers are dissatisfied with the \$27-million settlement, says Mitchell, most view the money as a welcome bonus. "They felt that the money was water over the dam," he says.

Actually collecting the refunds may take awhile, however. Mitchell says that the bigger the company, the slower the process. He quotes one Washington bureaucrat as saying, "Auditing Exxon is like auditing France."

NJ



Kirschner is 'not the only one rebranding.'

Indie Kirschner Converts Six Units to Arco Flag

Kirschner Bros. Oil Co., an independent operating out of Philadelphia, Pa., has joined the brand-up movement and put six of his stations under the Arco flag.

Michael Kirschner, president of the company, is also president of the Society of Independent Gasoline Marketers of America, which has been strongly critical of Arco and its marketing practices.

Kirschner said all six stations had volumes in excess of 100,000 gal. monthly "but were not our top performers by any means."

"We're just like anyone else and we're constantly reviewing our stations and the Arco proposition looked like something worthwhile trying."

Any more under consideration for rebranding? "Can't say," he said. "We're constantly looking at everything, that's all."

"We're not the only ones branding up," he added. "Look around and you'll see a lot of independents are doing it these days—enough of them that I don't even think there's any news value to it anymore."

NJ

2nd Qtr. Earnings Dampened By Poor Markets and Margins

Sloppy markets and thin product margins continued to depress the earnings of the nation's leading oil companies in the second quarter of '84, despite the fact that earnings continued to improve.

A late first-quarter surge in distillate demand in the eastern half of the country, analysts noted, pushed up refinery runs for heating oil and led to a downward pressure on gasoline prices.

Companies like Exxon, Standard of Indiana and Phillips which reported substantial increases attributed them mostly to volume and chemical operations.

Wall Street observers credited Atlantic Richfield with doing better than the cold numbers themselves indicated. It was noted, for instance, that Arco's oil and gas operating income rose more than \$100-million, but the advantage was eroded by a large loss in the metals division and higher interest costs.

Texaco, whose earnings declined a modest 7.6%, nevertheless, blamed it on some of the high financing costs involved in the acquisition of Getty Oil for \$10.1-billion—a huge deal which obtained fed-

eral government final approval in mid-July [NPN—Aug. '84, p16].

By way of contrast, Mesa Petroleum, the Texas firm which has precipitated several of the big merger battles, reported a second quarter net of \$214-million versus \$18.1-million in the same period of last year.

Even spending some \$13.2-billion to acquire Gulf, Chevron Corp. reported \$380-million in second-quarter earnings—a 3% gain over the 1983 period. By June 30, Chevron had acquired 96% of Gulf stock and is awaiting final approval from the Federal Trade Commission on the merger.

After \$126-million in merger financing costs, Gulf contributed about \$7-million to Chevron's earnings—reporting as an "unconsolidated subsidiary"—according to Chevron spokesman Jerry Martin.

Anticipating final federal approval on its deal within the next several months, Gulf could be fully integrated within Chevron and reporting "substantially higher earnings"—without its own dividend liabilities—by the end of 1985, he said.

NJ

Second-Qtr. and First-Half Earnings

(millions of dollars)

Company	2nd Qtr. 1984	2nd Qtr. 1983	% Chng.	6 Mos. 1984	6 Mos. 1983	% Chng.
Exxon	\$1,350.0	\$1,075.0	25.6%	\$2,825.0	\$2,135.0	32.3%
Mobil	366.0	402.0	(9.0)	746.0	652.0	14.4
Texaco	302.0	327.0	(7.6)	623.0	646.0	(3.6)
Stand. (Ind.)	524.0	426.0	23.0	1,100.0	825.0	33.3
Chevron Corp.*	380.0	368.0	3.0	758.0	678.0	12.0
Atlan. Richfield	406.3	393.4	3.3	801.4	723.7	10.7
Shell	418.0	390.0	7.2	743.0	636.0	16.8
Gulf**	NA	NA	NA	NA	NA	NA
Tenneco	220.0	205.0	7.3	375.0	315.0	19.0
Stand. of (Ohio)	458.0	476.0	(3.8)	839.0	753.0	11.4
Phillips	231.0	169.0	36.7	424.0	298.0	42.3
Sun	137.0	135.0	1.5	280.0	225.0	24.4
Getty #	NA	NA	NA	NA	NA	NA
Unocal ##	185.7	139.4	33	365.8	267.7	37.0
Amerada Hess	45.5	68.2	(33.4)	133.8	73.2	82.8
Dia. Shamrock	64.3	29.5	118.0	123.8	34.1	263.0
Ashland +	36.2	37.1	(2.4)	68.4	51.8	32.0
Kerr-McGee	68.0	67.4	0.9	78.3	61.5	27.3
Pennzoil	51.6	29.3	(76.1)	120.8	70.6	71.1
Murphy	23.6	40.4	(41.6)	49.9	68.2	(26.8)
Amer. Petrofina	15.7	8.6	82.5	26.0	8.9	192.1
Southland Corp.	58.5	34.0	72.1	72.7	41.7	74.3
Total Petro.	6.0	(16.5)	—	(3.7)	(53.6)	—
Quaker State	6.3	12.1	(47.9)	12.6	18.2	(30.8)
Crown Central	(5.4)	3.9	—	9.5	6.0	58.3

*Formerly known as Standard Oil of California.

**Report contained within that for Chevron Corp., which is to acquire Gulf.

#Report contained within that for Texaco, which has acquired Getty.

##Formerly known as Union Oil of California.

+ Third-quarter and 9-months reports, fiscal year ends 9/30.

October 1984

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Indies Split Their Bets
Branding Up



NATIONAL PETROLEUM NEWS

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Although they fight one another in the streets like cats and dogs, the major oil companies and private-brand independents are becoming flag-waving buddies as the fallout among smaller companies and restructuring of oil marketing continues. **Page 46**

Cover photo by John Apolinski, Chicago



After at least six years of fine-tuning strategies to maximize profit-per-square-foot in a gasoline/grocery operation, Amoco has settled on a solution that is larger than a kiosk and smaller than a full-scale C-store. **Page 57**



An informal nationwide survey by NPN indicates oil marketers are virtually unanimous in their belief President Reagan will recapture the White House next month, but worry about big oil mergers and the federal deficit. **Page 33**

Letters & Comment

Highway Oil Omitted

Your annual *Factbook* issue failed to list our company in the distribution section (although you did correctly list us in the marketing management portion). And, we have had people calling in and wondering if we were still alive and kicking! Please set the record straight.

Tom G. Platis
president, Highway Oil
Topeka, Kan.

We regret the omission. For the record, Highway Oil, Inc. is a gasoline, diesel and lubricant marketer supplying 225 outlets in 24 states.

Tank Story Praise

I'd like to commend your publication for the fine article written by J. Richard Shaner, "Underground Tank Dilemma," carried in your August issue (page 36).

The article provided a comprehensive assessment and discussion of the tank leakage problem and the many proposed solutions.

Jon Solberg
Federated Insurance
Owatonna, Minn.

Awash in Debate . . .

I enjoyed reading your recent article on gasoline merchandising with car wash [NPN—June '84, p53].

I believe, however, that several statements by Gus Trantham, executive director of the International Carwash Assn./National Carwash Council which were included in your article were inaccurate. The car wash association and Mr. Trantham obviously have taken a position condemning car wash merchandising with gasoline.

The most prevalent form of car wash at gasoline outlets is the rollover type, and there are probably two times as many in operation as Mr. Trantham states. He also implies that rollover maintenance costs are similar to the high maintenance costs normally associated with tunnel units. Actually, it is because of the low maintenance costs, dependable operation, minimal vehicle damages and the full automatic capabilities that the oil companies have switched to the rollover equipment. Brush replacements average below \$2,000, and it is very unusual to replace brushes in less than one year. Brush life on some rollover equipment is in excess of 100,000 washes. His statement that "you will have lots of repair and maintenance to do" is ambiguous and misleading.

The facts are evidenced by the tremendous success that gasoline locations are experiencing with car wash tie-ins. There is very little doubt that it is a concept that

is here to stay.

Tom Carleton
national sales manager
Ryko Manufacturing Co.
Grimes, Iowa

Mr. Trantham responds:

About 70% of the car washes in the U.S. are cross-merchandising gasoline. So, obviously, this association is not against gasoline being sold at a car wash.

We are against major oil companies

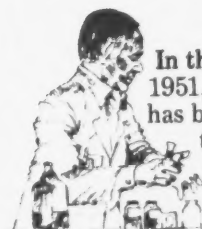
owning and operating gasoline stations where car washes are offered for free. It represents unfair competition.

Further, a tunnel car wash operator or one who has an investment in the equipment, takes care of that equipment. Our experience is that the major oil company operator does not maintain the equipment like a professional car wash operator does. So, yes, his maintenance and downtime is higher.

NPN

Will today's old tanks be ready for tomorrow's new fuels?

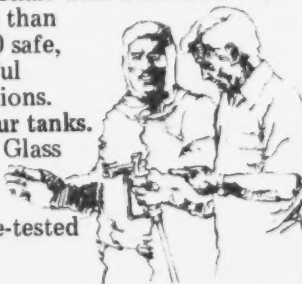
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● TRENDS

Industry Faces Tall Order From EPA to Get Lead Out

Ambitious plans by the Environmental Protection Agency to phase the lead out of gasoline are receiving mixed but mostly negative reviews from the oil industry. Understandable, when the timing—demand and refining and marketing margins are slim to nil—couldn't be much worse, especially for independents who are the prime makers and marketers of leaded product.

Oil marketers already are beginning to evaluate their competitive positions and their price/supply situations, for when the day arrives that leaded regular no longer is the fighting grade on the street. Already, some suppliers have dropped or have test-dropped leaded gasoline, with replacement by another grade of unleaded in one case. [See story on page 20.]

On the refining level, reactions of companies to the EPA's proposals to phase out lead varied significantly during hearings at the end of August. Since that time, complex issues such as the true cost of compliance, the overall impact of the phasedown on supply conditions and even the impact on the motoring public are being deliberated with uncommon immediacy.

The majority of the downstream sector seem to feel a phasedown from the allowable 1.1 grams/gal. limit to the proposed 0.1 grams/gal. is reasonable. The issue is the time frame. Gasoline producers either would be required to meet a 0.1 grams/gal. ceiling by January 1986 or graduate to a 0.5 grams/gal. limit by July 1985 and to the 0.1 grams/gal. limit by January 1988. Some refiners submitted to the EPA schedules meeting the target somewhere in between the two dates or even beyond. [See story on page 37.] The agency said it intended to render its regulation in January.

As for marketers, the imminent ban foreshadows the end of leaded regular as the benchmark street price. For now, many are concerned about what such a development will do to their strategy of pooling profit margins of leaded and unleaded grades in order to get a healthy bottom line. Recent developments have fed their apprehension.

Southland Corp. in late August dropped leaded at its Citgo Quik Marts in five mostly southern markets in a test also involving an 89-octane, third grade of unleaded. This,

following Getty's move last spring when it stopped marketing a leaded grade throughout its 11-state Northeast region. In testimony before the EPA, Arco as much as stated that unleaded will become the price leader on the street.

More likely, what marketers will face is a period of resetting of their pool margin pricing and methodology. If unleaded regular becomes the fighting grade, marketers will be constructing a new set of slimmer pool margins from perhaps three unleaded grades, if available. Meantime, a worrisome aspect is the inching downward of unleaded regular wholesale prices toward current leaded prices. In Los Angeles, for example, early September unbranded rack prices for leaded regular left a 3.5¢ gal. differential between it and unleaded regular. This compares to a traditional wholesale rack differential of at least 4¢. And, East Coast marketers are talking about a virtual convergence of the two grades' wholesale prices.

At the same time, the EPA is considering regulations that would mandate pricing unleaded regular under leaded regular and other rules calling for the sale of leaded at full-serve islands only. Both measures drew outcries from branded and independent marketers—especially the latter group, which tends more toward self-serve marketing. And, since indies traditionally have sold the lion's share of leaded to the price-conscious, lower-income motorists driving older, lead-hungry cars, independents say, they will suffer most from the lead phasedown.

Leaded gasoline sales are still a big portion of the market. Some 43% of U.S. motor fuel sales are a leaded product. In Reno, Nev., nearly half the gasoline sales are leaded, say West Coast sources, and in Phoenix, it's more than 76%. Unleaded sales are higher in the East.

For many of the independent—and even some of the major—refiners, production of unleaded-only (let alone one with octanes of 87 or more) is a formidable prospect. Once EPA's plan takes effect, no one will be trading lead rights, and there will be no so-called "small refiner bias" to extend the compliance periods or lead ceilings for those on the lower end of the refining scale. Some 25 refineries now lack the catalytic reforming capacity to up octane and meet EPA's proposal, and undoubtedly will find the 3¢ to 5¢ gal. cost to go from 1.1 grams to 0.1 grams/gal. too steep. Southland Corp.'s Sam Susser described the impact of EPA's plan as having "a dramatic adverse effect on indie refiners because bankers won't lend the necessary money for upgrading to a low-margin product." The concern is shared by many.

—Thomas Olson

● MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

JULY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	\$1.197	\$1.129	\$1.212	\$1.370
Regions:				
Northeast	1.209	1.140	1.207	1.368
North Central	1.213	1.161	1.235	1.412
South	1.183	1.110	1.196	1.346
West	1.186	1.104	1.206	1.388

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	8/31/84	9/2/83
Gasoline (total)	226,141	223,730
Gasoline (unleaded)*	101,296	87,222
Jet Kerosine	38,909	32,762
Distillates	136,675	142,263
Residual	47,539	45,577

*Included in gasoline total.

Source: American Petroleum Institute.

ports of potential leaks," says an Exxon spokesman.

Arco has required daily inventory reconciliation as part of its dealer lease for many years, but in 1981 introduced a cycle for testing all station tanks at least once in a three-year period. Leak detection and inventory control are part of dealer training.

Sun incorporated mandatory daily inventory reconciliation into its dealer supply contracts three years ago, with company audits of dealer records every six months.

And, Mobil offers distributors individually negotiated comprehensive insurance programs which will include leak protection through Frank B. Hall. The company added mandatory inventory reconciliation to dealer leases this year.

Shell and Chevron require daily inventory reconciliation in dealer leases, have leak investigation procedures and include leak detection as part of dealer training.

Texaco's lease requirements for daily inventory reconciliation and record-keeping began this year. Dealer records will be audited quarterly. For the past couple of years, Texaco also has offered its dealers and wholesalers seminars on leak detection.

Although the majors stress inventory control to prevent leaks, many of them also have begun costly tank replacement programs in recent years.

—Texaco started replacing all of its steel tanks with fiberglass tanks in 1982, including installation of line leak detectors. Leaking tanks are replaced, or lined with fiberglass, in the case of steel tanks.

—Sun last year began a three-year program to replace steel tanks with fiberglass tanks or provide cathodic protection.

—Mobil has converted 40% of its service station tanks to fiberglass tanks or fiberglass-lined tanks, and expects to complete its replacement program by 1988.

—Arco has an ongoing program to replace its steel tanks with fiberglass tanks. In 1981, the company tested its tanks in New York and Pennsylvania (where it markets Oxinol) for compatibility with methanol. Early this year, Arco conducted a study to find gasoline stations with water wells on the property or in the immediate vicinity. The resulting 50 stations are to have non-corrosive tanks or double-wall tanks. Arco estimates it spent \$17-million on tank replacement between 1981 and 1983, and estimates it will spend another \$25-million on replacement from 1984 through 1986.

—Exxon in 1980 began a comprehensive six-year program to upgrade or replace underground storage tanks. The company spent \$102-million between 1979 and 1983 to replace or upgrade 18,600 of the 26,000 underground tanks it owns.

—Donna Lawrence

Octane Findings Lower Despite 'Gutsy Gas' Intros

Although it seems logical that the trend should be up, not down, the octane level of high quality unleaded gasoline dipped again last winter for the second consecutive year, according to the National Institute for Petroleum and Energy Research, Bartlesville, Okla.

The latest study, issued in June and covering the winter of 1983-84, gave the average octane level of unleaded gasoline (above 90 octane) as 91.3. This was two-tenths of a point below the winter of 1982-83 and four-tenths of a point below the winter of 1981-82.

What makes this seem rather odd is the fact that a number of oil companies have introduced 93.5-octane grades in a number of marketplaces in the East. Most of the companies actually moved a 93.5 to 94.0 octane into their pumps so that at no time would test levels fall below 92.5 [NPN—May '84, p26].

Thus, it would seem logical that with all this higher octane gasoline moving into the marketplaces, the national average

would reflect such an upward trend.

Industry experts had no ready answer for the apparent contradiction. Some speculated that perhaps the phase-down on leaded gasolines had had an effect on the pool gasolines.

It was also suggested that perhaps the companies with the higher octane gasolines were too few in number and too shallow in volume last winter to affect the national average.

"It's not a matter of concern, however," one industry executive said. "One-tenth of a point isn't really that significant. Four-tenths is more meaningful but spread over three years . . . well . . ."

The semi-annual survey has been made by the institute, formerly known as the Bartlesville Technology Center, under contract with the Department of Energy and the American Petroleum Institute for the past 10 years.

The current report represents data for 1,795 samples of products from 72 oil companies, large and small.

N.Y.

Octanes: Winter 1983-84

Regions	(R + M ÷ 2)*		
	Unleaded Gasoline		Leaded Gasoline
	Below 90 Octane	Above 90 Octane	Below 93 Octane
Northeast	87.4	91.2	89.3
Mid-Atlantic Coast	87.4	91.6	89.1
Southeast	87.4	91.6	89.1
Appalachian	87.0	91.2	89.0
Michigan	87.3	91.2	89.6
North Illinois	87.1	91.7	89.0
Central Mississippi	87.4	91.6	89.1
Lower Mississippi	87.4	91.5	89.0
North Plains	87.6	91.7	87.8
Central Plains	87.5	90.6	89.1
South Plains	87.4	91.4	89.0
South Texas	87.3	91.5	89.2
South Mountain States	86.7	91.1	88.1
North Mountain States	86.5	91.0	86.5
Pacific Northwest	87.5	91.3	88.7
North California	87.8	91.2	88.9
South California	88.0	91.4	89.4
U.S. AVERAGE	87.3	91.3	88.8
By Way of Comparison . . .			
Winter, 1983-84	87.3	91.3	88.8
Summer, 1983	87.5	91.4	89.0
Winter, 1982-83	87.3	91.5	89.1
Summer, 1982	87.3	91.7	89.0
Winter, 1981-82	87.4	91.7	88.9
Summer, 1981	87.4	91.3	89.0

*Research plus motor method divided by two, which is the government-mandated octane number for posting on pumps.

Source: Motor Gasolines, Winter 1983-84, National Institute for Petroleum and Energy Research, Bartlesville, Okla.

TBA Briefs

Battery Sales Up 17% In First 7 Months of '84

Replacement battery sales were up 17% in the first seven months of 1984 versus the same period of last year, Battery Council International says.

Shipment totals were 30,051,344 for the first seven months of 1984 and 25,683,382 for the comparable period of 1983. July shipments were 3,999,314, down a mite from the preceding month, but up 2% over July 1983. **N.Y.**

'83 Industrial Lube Sales The Best in Five Years

Pepped up by a surge in retail demand, sales of automotive and industrial oils and greases exceeded 2.1-billion gal. in 1983—the first upturn in this area of oil marketing since 1979.

The National Petroleum Refiners Assn., in its 1983 survey said oil and grease sales totaled more than 2.5-billion for 1979 (nearly 2.44-billion oil, and 68-million gal. grease) and also provided the later figures for contrast:

	(Millions of Gal.)			
	1983	1982	1981	1980
Total Oils	2,115	1,998	2,182	2,244
Total Grease	55	51	62	62
Grand Total	2,170	2,049	2,244	2,286

Automotive oil sales, which include engine oils, transmission and hydraulic fluids, and automotive gear oils, totaled some 1.28-billion gal. in 1983, also the best year since 1979. Industrial oils, while higher than 1982, did not fare quite as well as the automotive oils, however. The 1983 total was 836.7-million gal.

Retail sales of automotive oils hit 704.5-million gal. in 1983—about 60-million gal. better than they have been doing in recent years. Retail sales include all sales at service stations, auto parts stores, car dealers, truck stops, drug stores and mass merchandisers.

Commercial sales were up too, although not nearly as much—469.6-million gal.—for an increase of about 32-million gal. Commercial sales cover fleets, farm, government and industrial plants.

Sales of monograde oils slumped to 401.2-million gal., the fourth consecutive year of decline. SAE 30 continued to be the most popular grade, but sales of this grade dropped to 274.9-million gal. in 1983—versus 296.8-million gal. in 1982 and 345.0-million gal. in 1980. Sales of multigrade automotive oils spurted from 531.1-million gal. in 1982 to 592.3-million gal. in 1983. This, far above 1979's mark of 484.5-million gal. **N.Y.**

Sun Required to Honor 1975-79 Battery Warranty

Sun Refining and Marketing would be required to live up to its warranty obligations for automotive batteries sold with a lifetime guarantee, according to a proposed Federal Trade Commission consent order.

The FTC said the firm sold more than 280,000 batteries under the brand name "True Blue Lifetime Battery" from 1975 through 1979. Each battery came with a lifetime warranty. But when buyers of the battery attempted to obtain warranty service after July 15, 1980, Sun did not grant full warranty rights.

Instead, consumers were given the choice of a battery with a 50-month pro-rata warranty or a refund of the purchase price of the True Blue battery, according to the agency.

The proposed consent order reinstates the lifetime warranty for consumers who received a replacement battery and for those who still own the car in which the original battery is installed. Sun is required to notify owners, dealers and distributors of the True Blue Battery of the lifetime warranty reinstatement. **N.Y.**

GM Warns Diesel Owners Against Use of 10W-40

In its 1985 model year owners manuals, General Motors is warning motorists not to use 10W-40 motor oil in diesel vehicles. Last year, the company only recommended that motorists refrain from using the multi-grade product in diesel models.

"We find that carbon deposits build up in the valve train and combustion chamber, especially in diesel engines," says a company spokesman. The problem, he says, has also cropped up on gasoline models, but not as severely.

For its mid-sized engines, GM recommends several motor oil viscosities, depending upon temperature. Among those listed are multi-grades 15W-40 and 10W-30.

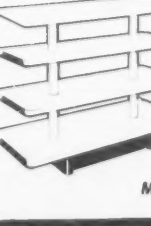
The owners manuals also recommend using API designated SFCC motor oil, warning motorists not to use any oil labeled SA, SB, SC, SD, CA, CB, CC, or CD or any combination of those letter designations.

"Using any one of those oils could cause engine damage," says the spokesman. **N.Y.**



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